

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

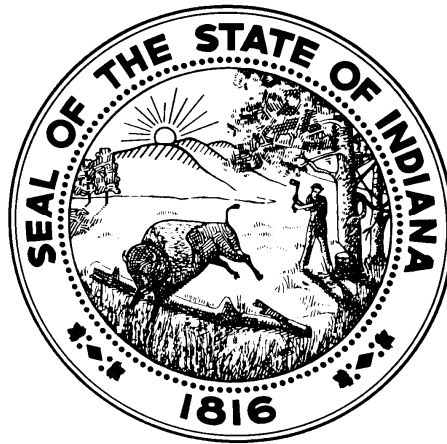
EXAMINATION REPORT

OF

TOWN OF MACKEY

GIBSON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
07/02/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carl VanMatre	01-01-04 to 12-31-11
President of the Town Council	James Vickers	01-01-06 to 12-31-06
	Jeffrey Allen	01-01-07 to 12-31-07
	Helen Hodgen	01-01-08 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MACKEY, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Mackey (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

May 27, 2008

TOWN OF MACKEY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 14,382	\$ 20,250	\$ 14,778	\$ 19,854
Motor Vehicle Highway	6,499	6,016	5,212	7,303
Local Road and Street	1,654	608	1,078	1,184
Cumulative Capital Improvement	<u>2,457</u>	<u>507</u>	<u>-</u>	<u>2,964</u>
Totals	<u>\$ 24,992</u>	<u>\$ 27,381</u>	<u>\$ 21,068</u>	<u>\$ 31,305</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 19,854	\$ 10,812	\$ 17,650	\$ 13,016
Motor Vehicle Highway	7,303	6,084	1,355	12,032
Local Road and Street	1,184	609	449	1,344
Cumulative Capital Improvement	<u>2,964</u>	<u>499</u>	<u>-</u>	<u>3,463</u>
Totals	<u>\$ 31,305</u>	<u>\$ 18,004</u>	<u>\$ 19,454</u>	<u>\$ 29,855</u>

The accompanying notes are an integral part of the financial information.

TOWN OF MACKEY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: streets and highways and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF MACKEY EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2006 and 2007 were not presented for examination. A similar comment was stated in prior reports.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

BANK ACCOUNT RECONCILIATIONS

As stated in prior reports, depository reconciliations of the fund balances to the bank account balances were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DEPOSITS

As stated in several prior reports, in numerous instances, receipts were deposited later than the next business day. Often, months elapsed between receipt of the funds and subsequent deposit into the bank account.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

OFFICIAL BOND

As stated in the prior report, the official bond for the Clerk-Treasurer was not filed in the Office of the County Recorder for the examination period.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

RECEIPT ISSUANCE

As stated in prior reports, in some instances, receipts were not issued or recorded. Receipts were not issued for any interest earned. Receipts were not usually issued at the time the checks were received, but at the time of deposit which was usually twice each year.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MACKEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2006	\$ 2,212
General	2007	1,250

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PAYROLL DEDUCTIONS

Payments were made to the Clerk-Treasurer and Council members without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Because some claims were not prepared for all disbursements, no evidence was provided that the governing board approved the disbursement.
- (4) Some claims or invoices did not reflect evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

TOWN OF MACKEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

BOARD MINUTES

Minutes of meetings of the governing body were incomplete.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CONTRACTS

Payments totaling \$1,600 in 2006 and \$1,000 in 2007 were made to the Somerville Volunteer Fire Department and the Buckskin Volunteer Fire Department, respectively. No contracts for fire protection existed between the Town and Volunteer Fire Departments.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MACKEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING

We noted instances of up to six months or more from the time of the original date of the transactions until entry on the records. The property tax and license excise tax receipts for December 2007 were not posted or deposited by the end of 2007, although settlement was made on December 7, 2007.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DONATIONS

The Town of Mackey donated \$5,000 each year to the Barton School, \$1,000 each year to the Mackey Tractor Pull, and \$2,000 each year to the Ball Parks.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient: (1) Some disbursements have no documentation; (2) Receipts are not deposited or recorded timely; and (3) Reconcilements are not performed regularly.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MACKEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

UNDOCUMENTED DISBURSEMENTS

Adequate supporting documentation (claim, invoice, etc.) was not made available for warrant 2774 dated February 2, 2006, in the amount of \$254.88, payable to Computers Plus and warrant 2835 dated November 7, 2006, payable to Best Buy in the amount of \$1,427.78. The Clerk-Treasurer stated that the first warrant was for repair to a computer for the Town and the second warrant was for the purchase of a laptop computer for the Town. In addition, a monthly fee was deducted from the bank statement for \$39.95 for internet service during the examination period. The Town of Mackey has manual records and no activity for the town is performed on the computer, except a page or two of minutes each month. All recordkeeping is performed at the home of the Clerk-Treasurer.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXCESSIVE OR UNREASONABLE COSTS

The Town of Mackey paid \$480.43 in 2004 and \$467.20 in 2005 for sales tax to the Indiana Department of Revenue. The Town failed to return sales tax vouchers showing a \$0 liability so the Department of Revenue assessed a minimum amount due of \$375 for each year plus penalties and interest of \$105.43 in 2004 and \$92.20 in 2005. The Town made two payments in the amounts of \$414.73 and \$474.25 in 2002, including \$201.48 in penalties and interest. These four disbursements total \$1,836.61 in unnecessary disbursements. The Town received a refund of over \$900 in the current examination period. The Town continues to receive bills demanding payment. According to a Indiana Department of Revenue representative, the Town can claim a refund by filing the appropriate returns and using form GA-110L, obtainable from their website at www.in.gov/dor.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MACKEY
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2008, with Carl VanMatre, Clerk-Treasurer. The official concurred with our findings.